



Illinois

Benefits From Exports

Illinois' export sales of merchandise in 2000 totaled \$32.2 billion, up 4.5 percent over 1999 and an increase of more than 58 percent over the 1993 total of \$20.3 billion. In 2000, Illinois posted the sixth largest export total of any state.

On a per capita basis, Illinois in 2000 registered export sales of \$2,597 for every person residing in the state. This represents an increase of 49 percent from 1993, when per capita exports totaled \$1,741.

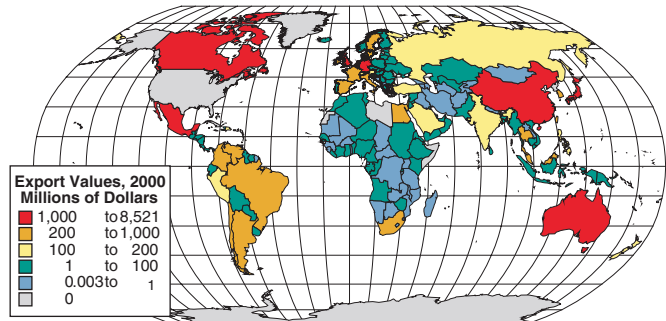
Illinois exports goods globally to 208 foreign destinations. Buoyed by the North American Free Trade Agreement (NAFTA), the state's leading markets, by far, are Canada (26 percent of 2000 exports) and Mexico (10 percent). Other top markets include Japan, the United Kingdom, Germany, Belgium, the Netherlands, China, and Australia.

Illinois' biggest growth market, in dollar terms, is Mexico. From 1997 to 2000, export sales to Mexico increased from \$2.2 billion to \$3.4 billion—a gain of 55 percent. Illinois also posted big dollar gains in sales to Canada, Taiwan, and Belgium.

The state's leading export category is machinery, which alone accounted for 26 percent—just over one-fourth—

ILLINOIS EXPORTED GOODS WORTH \$32.2 BILLION TO 208 FOREIGN MARKETS IN 2000

Dollar Value of Illinois' Merchandise Exports to Foreign Markets, 2000

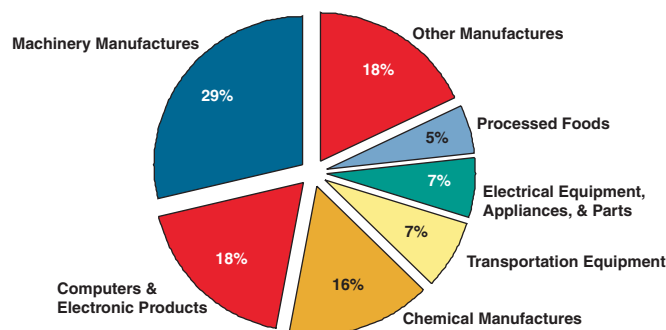


Source: U.S. Department of Commerce, Exporter Location Series.

of Illinois' total exports in 2000. Other top exports are computers and electronic products, chemicals, transportation equipment, and electrical equipment, appliances, and parts.

Within Illinois, Chicago posted 1999 export sales of \$21.1 billion—the most of any Illinois metropolitan area, more than two-thirds of the state total, and the sixth largest total among the 253 U.S. metro areas for which statistics are available. Other Illinois metro areas which recorded significant 1999 exports were Davenport–Moline–Rock Island (located partly in Illinois), Rockford, and Champaign-Urbana.

ILLINOIS EXPORTS A WIDE RANGE OF MANUFACTURES: \$29.4 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

The Illinois metro areas that recorded the fastest export growth during 1993–99 were Champaign-Urbana, Rockford, and Chicago.

Exports Support Good Jobs

Export-related jobs tend to be high-paying jobs. Wages of workers in jobs supported by goods exports range 13–18 percent higher than the national average. Export-related jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Illinois depended on manufactured exports for

360,400 jobs—the fifth highest total of any state. Export-supported jobs accounted for an estimated 7.1 percent of Illinois’ total private sector employment.

Manufactured exports supported 164,500 jobs—nearly one in every five workers—in Illinois manufacturing industries. Manufacturing sectors with the most export-related jobs were machinery manufactures, computers and electronic products, fabricated metal products, and primary metal manufactures.

Exports of manufactured goods also indirectly supported 195,900 jobs in the state’s nonmanufacturing industries. These industries supply manufacturers with a wide range of inputs needed to produce goods for export.

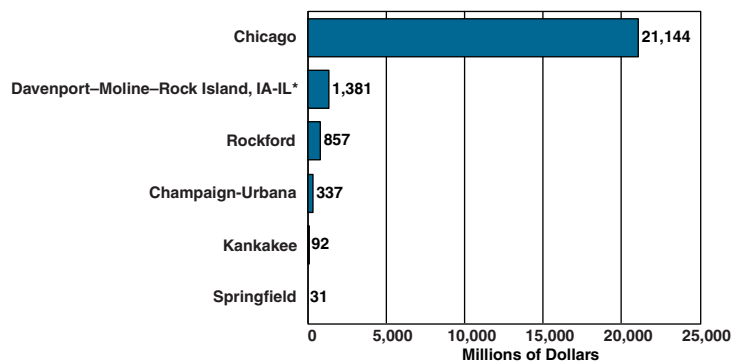
Exports Help Small Business

Exports have broadly benefited Illinois businesses—both large and small. A total of 14,231 companies exported from Illinois locations in 1998. More than 86 percent of these companies, accounting for 19 percent of the state’s total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, more than 72 percent of all Illinois exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for

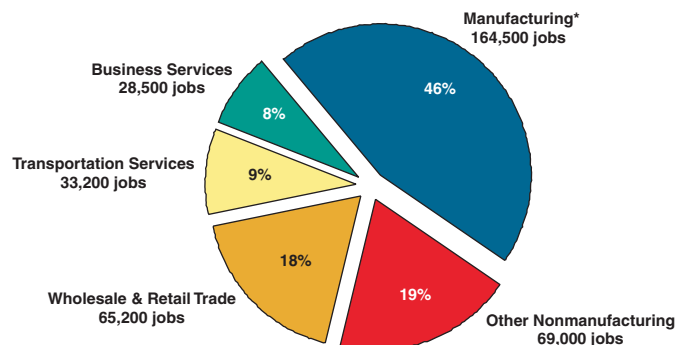
THREE ILLINOIS METRO AREAS POSTED EXPORTS OF \$500 MILLION OR MORE IN 1999



*This metro area partially overlaps into an adjacent state.

Source: U.S. Department of Commerce, Exporter Location Series.

360,400 ILLINOIS JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



*Includes 5,300 jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or “fast track”) is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

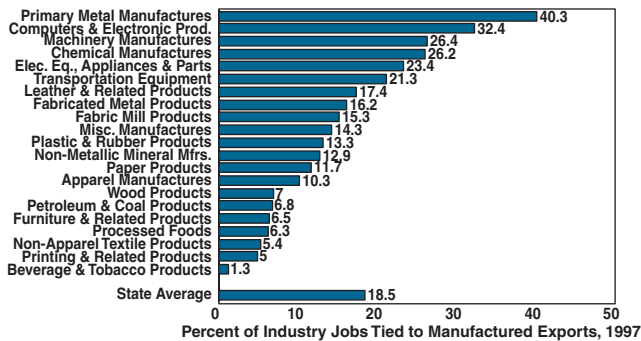
TPA preserves the ability of the United States to protect public health, safety, and the environment.

U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

Illinois Industries Can Gain From Trade Negotiations

Illinois exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Illinois businesses across many industrial sectors.

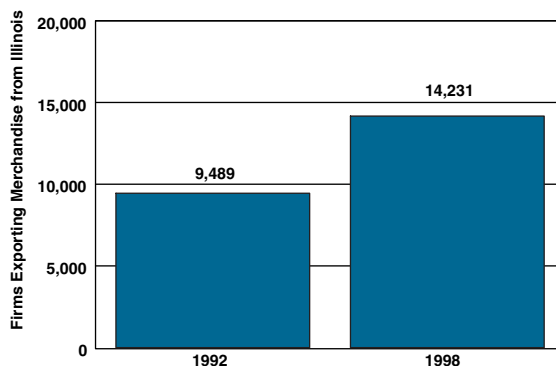
MORE THAN ONE-SIXTH OF MANUFACTURING JOBS IN ILLINOIS WERE TIED TO EXPORTS IN 1997



Note: In 1997, 18.5 percent of the 887,400 manufacturing jobs in Illinois were tied to manufactured exports—some 164,500 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM ILLINOIS ROSE 50 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

Industrial machinery. Further reductions in tariff and nontariff barriers through new negotiations would greatly expand opportunities for Illinois' machinery exports. While the state's industrial machinery exporters have benefited from tariff reductions in previous trade agreements, the industry continues to face barriers in many markets throughout the world. For example, tariffs on industrial machinery are as high as 30 percent in Brazil and India. This sector also suffers from the many import restrictions maintained in potentially lucrative markets, including nontransparent and preferential government procurement practices, deficiencies in intellectual property protection, investment barriers, and the increasing use of standards as nontariff barriers to trade. In addition, restrictions on the ability to provide after-sales service greatly inhibit market access for U.S. manufacturers of complex machinery.

Information technology. Illinois is the home of many high-tech companies and benefits from the Information

Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Illinois, would likely see sales rise if remaining barriers on IT products were eliminated. Heavy investment in research and development, which drives IT growth and employment, can only be sustained with expanding markets that spread R&D investments over a growing sales volume. Foreign markets are thus increasingly important to any R&D-based products, given the limits of domestic demand.

Chemicals. Illinois exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a range of products from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing countries, most of which do not participate in the CTHA, have become increasingly important chemical producers. Tariffs in Asian countries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry, including discriminatory product registration, testing/certification, and import licensing requirements.

ILLINOIS: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Illinois goods and services.

Illinois exporters still face major trade barriers in such sectors as industrial machinery, information technology, chemicals, and auto parts.

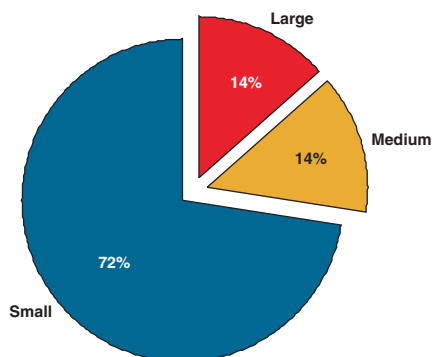
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Illinois' economy is export-dependent, with export sales of \$2,597 for every state resident.

More than 360,000 Illinois jobs depend on exports of manufactured goods.

14,231 companies—including 12,309 small and medium-sized businesses—export from Illinois.

86 PERCENT OF ILLINOIS'S 14,231 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

Auto parts. The U.S. exported \$53.7 billion in auto parts during 2000. The ability of the auto parts industry to increase exports will play an important role in its future growth. It will be critical to resolve the many market access barriers that confront this sector. In addition to high tariff barriers, several key nontariff barriers are unique to the auto parts sector. For example, Illinois parts suppliers have been denied full access to the Japanese market by restrictive regulations concerning the repair and replacement of auto parts. U.S. parts rebuilders are also unable to sell their products throughout much of South America due to import prohibitions.

Agriculture. Illinois is a major producer and exporter of agricultural products. According to the U.S. Department of Agriculture, Illinois farm cash receipts totaled \$6.8 billion in 1999, and it was the fifth largest agricultural exporter, with exports of \$2.8 billion. Since 1991, the state's reliance on agricultural exports has ranged from 34 percent to 44 percent as measured by export's share of farm cash receipts. Illinois' top agricultural exports are soybeans and products, feed grains and products, live animals and red meats, wheat and products, and feeds and fodders. Illinois already benefits from past trade agreements. Under the Uruguay Round, South Korea is reducing its tariffs on soybean oil by 14.5 percent between 1995 and 2004, and the Philippines is reducing its tariffs on soybean meal from 10 to 3 percent. The Philippines converted its import ban on corn to tariffs as part of its Uruguay Round commitments. Under NAFTA, Mexico converted its import licensing system for corn to a transitional tariff-rate quota, and Mexico's in-quota tariff on live slaughter swine, chilled/frozen pork, and hams falls

to zero by 2003. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now

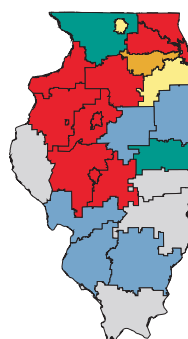
under way to dismantle these barriers.

Imports Also Important to Illinois

While exports generate clear benefits for the Illinois economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Illinois, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Illinois with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER ILLINOIS

Illinois' Merchandise Exports by Three-Digit Zip Code, 1999



1999 Export Values
Millions of Dollars

2,000 to 8,705
1,000 to 2,000
500 to 1,000
250 to 500
100 to 250
0.4 to 100

Note: Illinois' total merchandise exports in 1999 were \$30.9 billion. Due to federal disclosure regulations, shading of zip codes 612, 613, 615, and 616 refers to combined exports from these areas. Similarly, export totals were also combined for zip codes 625, 626, and 627.
Source: U.S. Department of Commerce, Exporter Location Series.